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ABSTRACT

In fiscal 1996, Maryland expended over $5.7 billion on public education. This paper reviews the sources of revenue for education, focusing on the relative importance of federal, state, and local funding, and provides an overview of state education aid. The state's commitment to the public schools accounted for over 40 percent of spending at the local level, whereas at the state level, state aid for the public schools accounted for over 30 percent of state expenditures funded from general tax dollars. Some of the policy goals guiding state aid, a brief history of state education aid, and an overview of the various approaches Maryland uses to distribute education aid are highlighted. The report describes expenditures and those factors contributing to spending differences among school systems. Each section of the report provides an examination of trends over a period of years so as to supply historical perspective. An appendix provides a program-by-program description of many of Maryland's education aid programs, including the state's compensatory aid formula, teachers' retirement, school bus transportation grants, and special-education grants. (RJM)

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Structure of School Finance in Maryland

July 1997

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July 1997

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Annapolis, Maryland

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Department of Legislative Services
Office of Policy Analysis
Maryland General Assembly

July 9, 1997

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Casper R. Taylor, Jr., Speaker of the House of Delegates
Honorable Members of the Maryland General Assembly

Public education is one of the most important functions of government. In fiscal 1996 Maryland's school systems expended over $5.7 billion for this purpose. This commitment to the public schools accounts for over 40 percent of spending at the local level. At the State level, State aid for the public schools accounts for over 30 percent of State expenditures funded from general tax dollars. This report summarizes the financing of public education in Maryland. The first section reviews the sources of revenue for education. The next section summarizes State education aid in somewhat greater detail. There is a discussion of policy goals guiding State aid, a brief history of State education aid, and an overview of the various approaches Maryland uses to distribute education aid. The third section discusses expenditures and those factors contributing to spending differences among school systems. In each section there is an examination of trends over a period of years to provide historical perspective. Finally, the appendix provides a program by program description of many of Maryland's education aid programs.

This report was prepared by John Rohrer and Laurie Liddell with administrative assistance from JoAnn Bryan and Betsy Dobbs. Much of the data derives from annual reports published by the Maryland State Department of Education.

The department trusts the General Assembly will find the report useful as it considers education issues this year.

Sincerely,

William S. Ratchford, II
Interim Executive Director

WSR/JWR/brd

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Structure of School Finance in Maryland

Introduction

The State and county governments share responsibility for Maryland's public schools. Statewide educational policy determination is the responsibility of the State Board of Education with the State Superintendent of Schools and Maryland State Department of Education overseeing the implementation of policies and providing administrative support. The 23 county boards of education and the New Baltimore City Board of School Commissioners, together with each local superintendent, govern education matters and policy-making within the school district and oversee the daily operation of the local school system.

This report focuses on the financing of education in Maryland. The first section briefly overviews the relative importance of federal, state, and local funding. The next section summarizes State education aid. In the third section there is a brief discussion of expenditures and those factors contributing to spending differences among school systems. In each section there is an examination of trends over a period of years to provide historical perspective. Finally, the appendix provides a program by program description of many of Maryland's education aid programs.

Revenues

Educational expenditures are funded from federal, State, and local sources as shown in **Exhibit 1**. In fiscal 1996 local revenues accounted for 55.9 percent of the $5.1 billion in revenues supporting the operating costs of the public schools. State aid comprised another 40.3 percent. A 3.8 percent share reflects the relatively small federal role in funding primary and secondary education. The relative shares of funding from each government entity varied little over the ten year period fiscal 1986 through fiscal 1996.

Education revenues grew more rapidly between fiscal 1986 and fiscal 1991 at about 9.3 percent per year than in the period from fiscal 1991 to fiscal 1996 where average annual growth slowed to 4.5 percent (see **Exhibit 2**). On a per pupil basis the difference is even more dramatic: 8.1 percent annual growth over the fiscal 1986 to 1991 period versus 2.0 percent annual growth since fiscal 1991. This diminished per pupil revenue growth in the 1990's reflects both higher enrollment growth and recession driven fiscal constraints at the beginning of the decade. In the earlier period,

Exhibit 1
Education Revenues
By Source
(percent of total)

Category	Fiscal 1986	Fiscal 1991	Fiscal 1996
Federal	4.2	3.8	3.8
State	40.5	39.4	40.3
Local	55.3	56.8	55.9

Source: Selected Financial Data, Maryland Public Schools, Part 1 - Revenues, selected years, Maryland State Department of Education.

Exhibit 2
Education Revenue Trends

	Fiscal 1986	Fiscal 1991	Average Annual Growth	Fiscal 1996	Average Annual Growth
Total Revenues					
Amount (millions)	$2,643.2	$4,124.3	9.3%	$5,147.2	4.5%
Per Pupil	4,109	6,064	8.1%	6,679	2.0%
Federal Revenue					
Amount (millions)	110.6	156.4	7.2%	195.7	4.6%
Per Pupil	172	230	6.0%	254	2.0%
State Revenue					
Amount (millions)	1,070.7	1,625.4	8.7%	2,076.0	5.0%
Per Pupil	1,665	2,390	7.5%	2,694	2.4%
Local Revenue					
Amount (millions)	1,461.9	2,342.5	9.9%	2,875.5	4.2%
Per Pupil	2,273	3,444	8.7%	3,731	1.6%

Note: Amounts do not include revenues for debt service, school construction, or food service.

Source: Selected Financial Data, Maryland Public Schools, Part 1 - Revenues, selected years, Maryland State Department of Education. Per pupil amounts calculated using total enrollment adjusted for half-day kindergarten and prekindergarten programs.

both State and local government support drove the increase in education revenues, with local revenue growth slightly higher. On the other hand, between fiscal 1991 and 1996 the annual increases in State support were slightly above the growth in local funding.

Although State and federal aid accounts for about 44.2 percent of the funding for Maryland's public schools, the reliance on that aid varies across the counties (see **Exhibit 3**). For example, in fiscal 1996 22.5 percent of Montgomery County's revenues were from State and federal sources, the smallest share in the State. On the other hand, Baltimore City received 69.7 percent of its revenues from non-local sources, the largest intergovernmental share. Much of this variance derives from State and federal efforts to target aid to "low wealth" jurisdictions or to school systems with high proportions of students with special needs.

State Aid

Education aid totaling $2.4 billion accounts for over 30 percent of State general fund expenditures in fiscal 1998. The aid includes $1.9 billion in direct aid and $445 million in teachers' retirement payments on behalf of the local school systems. This fiscal 1998 aid is 46 percent higher than the amount provided in fiscal 1991 ($1.6 billion). During the last eight years public education has been a State budget priority. Over this period education aid increases have averaged 5.5 percent per year compared to an average annual general fund expenditure increase of 3.3 percent.

Four Policy Goals Have Guided Funding

Over the past 25 years a number of legislative and executive committees and task forces have reviewed primary and secondary education funding. Many of the recommendations of these study groups have been enacted by the General Assembly. Throughout this period several policy goals guided State funding of the public schools. Among them include the following:

- all Maryland students should have the opportunity to receive a quality education;
- educational opportunities should not depend on a jurisdiction's relative ability to raise revenue from local sources;
- students with special needs may require the commitment of additional educational resources; and,

Exhibit 3

Operating Revenues For Primary and Secondary Education
Fiscal 1996
($ in thousands)

County	Local Appropriation	Percent	Other Local	Percent	State	Percent	Federal	Percent	Total
Allegany	20,675	32.0%	1,110	1.7%	38,122	59.0%	4,673	7.2%	64,579
Anne Arundel	266,479	59.0%	5,791	1.3%	165,091	36.5%	14,337	3.2%	451,697
Baltimore City	199,202	29.2%	7,364	1.1%	417,239	61.1%	58,838	8.6%	682,643
Baltimore	404,783	62.0%	3,383	0.5%	225,219	34.5%	19,800	3.0%	653,185
Calvert	45,104	57.2%	886	1.1%	30,610	38.8%	2,272	2.9%	78,873
Caroline	9,753	32.5%	257	0.9%	18,222	60.6%	1,817	6.0%	30,050
Carroll	75,801	51.7%	1,001	0.7%	66,110	45.1%	3,728	2.5%	146,640
Cecil	36,057	44.5%	768	0.9%	41,415	51.2%	2,714	3.4%	80,954
Charles	59,442	48.0%	2,586	2.1%	58,070	46.9%	3,740	3.0%	123,838
Dorchester	11,322	36.7%	803	2.6%	16,492	53.5%	2,219	7.2%	30,835
Frederick	96,790	51.4%	4,038	2.1%	82,521	43.8%	4,992	2.7%	188,342
Garrett	11,382	36.5%	269	0.9%	17,432	55.9%	2,078	6.7%	31,162
Harford	101,054	48.5%	1,931	0.9%	99,675	47.8%	5,812	2.8%	208,471
Howard	170,840	66.0%	6,563	2.5%	78,088	30.2%	3,457	1.3%	258,947
Kent	10,110	54.6%	197	1.1%	7,114	38.4%	1,082	5.8%	18,503
Montgomery	718,687	76.8%	7,294	0.8%	189,731	20.3%	20,222	2.2%	935,933
Prince George's	385,470	50.0%	15,275	2.0%	345,040	44.8%	24,714	3.2%	770,498
Queen Anne's	20,730	55.8%	388	1.0%	14,737	39.7%	1,302	3.5%	37,157
St. Mary's	36,256	45.1%	679	0.8%	39,129	48.7%	4,261	5.3%	80,326
Somerset	6,580	31.0%	616	2.9%	12,174	57.3%	1,859	8.8%	21,229
Talbot	17,675	65.8%	1,758	6.5%	6,359	23.7%	1,054	3.9%	26,846
Washington	47,037	42.3%	621	0.6%	57,884	52.0%	5,702	5.1%	111,244
Wicomico	28,153	38.0%	1,024	1.4%	41,733	56.3%	3,273	4.4%	74,183
Worcester	31,142	75.8%	404	1.0%	7,771	18.9%	1,772	4.3%	41,089
Statewide	2,810,525	54.6%	65,005	1.3%	2,075,978	40.3%	195,717	3.8%	5,147,226

Notes: 1) Amounts do not include revenues for school construction, debt service, and food service

2) "Other local revenues" are revenues generated by the local school system from tuition, transportation, fees, investment, rentals, gifts, and other sources. "Local appropriations" represent each county's appropriation to the school system.

Source: Selected Financial Data, Part 1 Revenues, published annually by the Maryland State Department of Education

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- local school districts have the primary responsibility for the allocation of educational resources; however, certain educational needs, problems, or State policies may require the State to play a greater role.

There Have Been Numerous Funding Changes in Last 25 Years

Between fiscal 1974 and 1998 there have been over thirty significant changes to Maryland's education funding programs. Through fiscal 1991 the changes generally involved increases in the major education aid programs or the addition of new programs. During the State's fiscal crisis in the early 1990's, most of the adjustments involved program restrictions or reductions. In subsequent years most enhancements have been through new categorical programs. The major changes to education funding over the previous twenty-five years are summarized below:

- After its enactment in fiscal 1974, the current expense formula was adjusted on approximately seven occasions through increases to the foundation amount. Adjustments were also made to the State's share of the foundation amount.

- The compensatory education program was established in fiscal 1980 and replaced with a "new" compensatory program in 1985 as part of the "Civiletti" Task Force recommendations.

- In 1977 a public special education formula and a nonpublic placement cost sharing policy were enacted but relatively few funding changes have occurred since then. In fiscal 1988 the special education formula received its first infusion of new funds after being frozen at $70 million in fiscal 1981. A handicapped student transportation grant was established the next year (fiscal 1989).

- Throughout the past twenty-five years several new categorical aid programs have been established. These include such programs as: extended elementary education - 1980; Prince George's County magnet school aid - 1987; Maryland's tomorrow - 1989; challenge grants - 1993; limited English proficiency grants - 1994; targeted poverty grants - 1995; school reconstitution grants - 1996; performance recognition awards, education modernization initiative, and Baltimore County teacher mentoring - 1997; and additional poverty and aging school grants - 1998.

- Between fiscal 1992 and 1994 the State reduced the growth in education aid by: 1) eliminating State payment of social security benefits for certain educational employees; 2) reducing pupil transportation grants; 3) altering the State/local cost sharing formula for nonpublic special education; 4) temporarily holding

local school boards responsible for increases in fringe benefit costs associated with general salary increases for local educators; and 5) reducing the mandated increases in current expense and compensatory funding for fiscal 1994.

- The fiscal 1998 budget included $30 million for the Baltimore City public schools consistent with legislation passed by the 1997 General Assembly (SB 795) restructuring the management of the city's school system. The legislation stemmed from consent decrees settling several lawsuits involving the Baltimore City school system. The five year funding commitment in the legislation increases to $50 million annually beginning with fiscal 1999. The legislation also commits about $31 million annually over five years to the other school systems through various programs.

Mandated Grants for Five Purposes Account for Most Education Aid

Currently, the State funds the public schools through over 30 different programs. (See **Exhibit 4** for a three year summary of education aid by program.) Grants for five purposes -- current expenses, compensatory programs, teachers' retirement costs, school bus transportation costs, and special education programs -- account for most of the aid: $2.2 billion or 94 percent of the estimated $2.4 billion in fiscal 1998 aid for operating costs. In addition, the fiscal 1998 State budget includes $82.4 million for debt service on State bonds that funded prior years' school construction projects.

Most education aid ($2.2 billion and 94 percent in fiscal 1998) is mandated by statute. The Governor must include the funding for the mandated programs in the budget submitted to the General Assembly. Reductions to these programs by the General Assembly must result from the re-estimate of those factors determining the funding level or must be specifically authorized by statute. With the exception of $11.3 million in special education funding, aid for the five purposes enumerated above is mandated by statute. Several smaller programs also have a statutorily mandated funding level.

In addition, the Baltimore City school legislation (SB 795) enacted this year includes a multi-year aid commitment of $61.7 million for fiscal 1998 and $81.7 million for fiscal 1999 through 2002. Failure to appropriate this aid in any of the years abrogates the statute and the city school management reforms. This funding commitment under SB 795 accounts for another 2.6 percent of education aid in fiscal 1998. (**Exhibit 4** shows those programs covered under SB 795, as well as those programs mandated by statute).

Exhibit 4

STATE AID FOR PRIMARY AND SECONDARY EDUCATION
F.Y. 1996-F.Y. 1998

Program	F.Y. 1996 (millions)	% OF TOTAL	F.Y. 1997 (millions)	% OF TOTAL	F.Y. 1998 (millions)	% OF TOTAL
CURRENT EXPENSE AID	1,288.4	61.8	1,360.1	61.7	1,455.8	61.4
COMPENSATORY AID	73.7	3.5	76.8	3.5	80.9	3.4
TARGETED POVERTY GRANT	8.0	0.4	8.0	0.4	8.0	0.3
SPECIAL EDUCATION						
PUBLIC	81.3	3.9	81.3	3.7	81.3	3.4
NON-PUBLIC	46.3	2.2	51.7	2.3	61.2	2.6
RETIREMENT	425.8	20.4	449.0	20.4	445.0	18.8
TRANSPORTATION						
FORMULA (BLOCK GRANT)	94.1	4.5	96.9	4.4	102.6	4.3
SPECIAL EDUCATION	3.1	0.1	3.4	0.2	4.0	0.2
CHILDREN AT RISK	10.4	0.5	10.4	0.5	10.0	0.4
GIFTED & TALENTED*	2.1	0.1	1.9	0.1	4.4	0.2
ENVIRONMENTAL ED.	0.1	0.0	0.1	0.0	0.1	0.0
DISRUPTIVE YOUTH	0.4	0.0	0.5	0.0	0.0	0.0
INNOVATIVE PROGRAMS						
MAGNET/NEIGH. SCHOOLS*	15.0	0.7	13.0	0.6	14.1	0.6
CHALLENGE GRANTS	7.6	0.4	7.6	0.3	7.6	0.3
RECONSTITUTED/MARGINAL SCHS.	1.4	0.1	11.7	0.5	1.7	0.1
BALTIMORE COUNTY MENTORING*	0.0	0.0	0.5	0.0	2.9	0.1
MODERNIZATION INITIATIVE	0.0	0.0	1.2	0.1	3.2	0.1
OTHER	0.5	0.0	6.5	0.3	4.7	0.2
ADULT EDUCATION	0.9	0.0	0.5	0.0	0.8	0.0
FOOD SERVICES	4.3	0.2	4.3	0.2	4.3	0.2
COMMUNITY CENTERS	0.7	0.0	0.7	0.0	0.0	0.0
EXTENDED ELEMENTARY	11.6	0.6	11.6	0.5	14.9	0.6
SCIENCE/MATH EDUCATION	0.9	0.0	0.9	0.0	0.9	0.0
ADDITIONAL POVERTY GRANTS*	0.0	0.0	0.0	0.0	18.2	0.8
AGING SCHOOLS*	0.0	0.0	0.0	0.0	4.4	0.2
BALTIMORE CITY PARTNERSHIP*	0.0	0.0	0.0	0.0	33.5	1.4
LIMITED ENG. PROF. GRANT*	7.0	0.3	7.2	0.3	7.8	0.3
DEBT SERVICE--PRE 1971	1.4	0.1	0.3	0.0	0.1	0.0
SUBTOTAL	2,084.8	100.0	2,206.0	100.0	2,372.4	100.0
DEBT SERVICE-STATE	**81.1**		**80.6**		**82.4**	
TOTAL	2,165.9		2,286.7		2,454.8	
GENERAL FUND REVENUES	7,211.0		7,506.4		7,716.8	
% GENERAL FUND	30.0		30.5		31.8	

Notes:

1-Shaded programs are statutorily "mandated" programs: the Governor must include the funding for these programs in the budget submitted to the General Assembly.

2-Current expense aid includes formula aid, tuition by-law, and beginning in FY 1987 out-of-county placements.

3-Nonpublic placement amounts are actuals, not final state budget amounts. FY 1996 and FY 1997 amounts include funds budgeted under Office of Children, Youth, and Families subcabinet fund.

4- Asterisk programs contain a five year commitment for additional aid beginning with FY 1998 under the New Baltimore City Board of School Commissioners legislation (SB 795) including $16.6 million for additional poverty grants; $4.4 million for aging schools; $30 million for Baltimore City Partnership funding in fiscal 1998 and $50 million in subsequent years; $2.0 million for Mongomery County gifted & talented programs; $1.1 million for Prince George's County magnet schools; $2.4 million for Baltimore County teacher mentoring; and $1.9 million for limited English proficiency.

Source: Department of Legislative Services; Annual Maryland State budgets.

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The remaining 3.4 percent of education aid is discretionary. For these programs, funding levels are at the Governor's discretion. The programs may have been established by statute, but the statute does not require a certain level of funding. Excluding the aid associated with the city school legislation (SB 795), there has been little change since fiscal 1991 in the percentage of education aid that is discretionary.

Exhibit 5, which follows, shows county-by-county aid distributions for the major aid programs. **Exhibit 6** shows the aid on per student basis. **Appendix 1** summarizes most of Maryland's education aid programs.

EXHIBIT 5
ESTIMATED STATE PRIMARY/SECONDARY AID
FISCAL YEAR 1998
(dollars in thousands)

COUNTY	CURRENT EXPENSE FORMULA	COMPEN-SATORY	SCHOOL BUS TRANSPORT	SPECIAL EDUCATION	TEACHERS RETIREMENT	OTHER PROGRAMS	TOTAL
ALLEGANY	27,454	2,820	2,411	1,297	5,609	1,530	41,120
ANNE ARUNDEL	112,259	2,215	10,185	11,138	39,614	4,144	179,555
BALTIMORE CITY	274,872	48,098	8,905	45,092	54,559	46,272	477,797
BALTIMORE	162,075	4,200	12,711	12,314	56,833	13,699	261,832
CALVERT	25,760	447	1,759	830	6,945	751	36,493
CAROLINE	14,170	754	1,218	496	2,734	1,056	20,428
CARROLL	54,902	660	3,937	2,801	12,744	853	75,897
CECIL	32,937	983	2,207	1,623	7,367	1,445	46,561
CHARLES	43,457	863	4,139	2,644	10,729	1,803	63,635
DORCHESTER	11,648	801	1,221	469	2,621	991	17,751
FREDERICK	68,893	1,122	3,846	3,109	16,428	1,569	94,966
GARRETT	11,984	895	1,555	685	2,786	820	18,723
HARFORD	79,780	1,728	5,122	4,108	18,183	2,157	111,079
HOWARD	56,667	642	4,636	4,042	23,233	1,321	90,542
KENT	4,447	196	810	355	1,600	529	7,936
MONTGOMERY	90,435	2,416	12,234	15,828	82,943	11,858	215,714
PRINCE GEORGE'S	253,169	5,977	17,135	28,119	64,741	27,331	396,471
QUEEN ANNE'S	10,360	279	1,341	550	3,211	610	16,351
ST. MARY'S	30,422	1,157	2,717	2,220	6,990	1,357	44,863
SOMERSET	7,686	610	944	438	1,831	1,034	12,543
TALBOT	2,443	179	771	269	2,242	668	6,572
WASHINGTON	43,122	1,860	3,060	2,571	10,126	1,679	62,418
WICOMICO	32,021	1,762	2,326	1,189	7,199	1,734	46,231
WORCESTER	1,306	247	1,394	252	3,751	728	7,678
STATEWIDE	1,452,269	80,910	106,584	142,437	445,018	125,939	2,353,156

NOTES: 1) Other aid includes amounts distributed under the magnet schools, adult education, county debt service, food service, Maryland's Tomorrow, extended elementary, out-of-county placement, limited English proficient, targeted poverty grant, and gifted and talented programs.
2) With the exception of retirement payments, the amounts reflect aid distributed to the local boards of education. These amounts are allocated on the basis of salaries.
3) Debt service on state bonds issued for school construction and several small discretionary programs are not included.

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EXHIBIT 6
STATE PRIMARY/SECONDARY AID PER FULL TIME EQUIVALENT STUDENT
FISCAL YEAR 1998

COUNTY	CURRENT EXPENSE FORMULA	COMPEN-SATORY	SCHOOL BUS TRANSPORT	SPECIAL EDUCATION	TEACHERS RETIREMENT	OTHER PROGRAMS	TOTAL
ALLEGANY	2,590	266	227	122	529	144	3,880
ANNE ARUNDEL	1,601	32	145	159	565	59	2,560
BALTIMORE CITY	2,786	488	90	457	553	469	4,843
BALTIMORE	1,638	42	128	124	574	138	2,646
CALVERT	1,858	32	127	60	501	54	2,632
CAROLINE	2,679	143	230	94	517	200	3,863
CARROLL	2,158	26	155	110	501	34	2,984
CECIL	2,306	69	155	114	516	101	3,260
CHARLES	2,117	42	202	129	523	88	3,100
DORCHESTER	2,356	162	247	95	530	200	3,590
FREDERICK	2,089	34	117	94	498	48	2,880
GARRETT	2,380	178	309	136	553	163	3,719
HARFORD	2,195	48	141	113	500	59	3,056
HOWARD	1,465	17	120	104	600	34	2,340
KENT	1,654	73	301	132	595	197	2,952
MONTGOMERY	763	20	103	133	700	100	1,819
PRINCE GEORGE'S	2,114	50	143	235	541	228	3,310
QUEEN ANNE'S	1,706	46	221	91	529	100	2,693
ST. MARY'S	2,213	84	198	161	508	99	3,263
SOMERSET	2,657	211	326	151	633	357	4,336
TALBOT	577	42	182	64	530	158	1,553
WASHINGTON	2,264	98	161	135	532	88	3,277
WICOMICO	2,415	133	175	90	543	131	3,487
WORCESTER	201	38	215	39	577	112	1,181
STATEWIDE	1,856	103	136	182	569	161	3,007

NOTES: 1) Other aid includes amounts distributed under the magnet schools, adult education, county debt service, food service, Maryland's Tomorrow, extended elementary, out-of-county placement, limited English proficient, targeted poverty grant, and gifted and talented programs.
2) With the exception of retirement payments, the amounts reflect aid distributed to the local boards of education. These amounts are allocated on the basis of salaries.
3) Debt service on state bonds issued for school construction and several small discretionary programs are not included.
4) Per student amounts based on estimated September 1997 FTE.

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Maryland Uses Several Approaches to Distribute Education Aid

Consistent with the four policy goals guiding State funding, it is possible to categorize education aid by method of distribution. Five distributional approaches have been developed to classify the aid: workload measures, combination wealth/workload measures, actual costs, prior year's aid, and other approaches. **Exhibit 7** summarizes the classification of aid by distribution method. The exhibit is followed by a description of each category. As the exhibit shows, two approaches account for over 86 percent of Maryland's education aid: almost two thirds of the aid incorporates measures of local wealth and another fifth directly relates to specific educational costs.

Exhibit 7
State Aid By Basis For Distribution
($ in millions)

	Approp. FY 1998	% of Total
Workload	$ 50.2	2.1
Wealth/Workload	1,544.5	65.1
Actual Costs	506.3	21.3
Prior Years' Aid	172.6	7.3
Other	98.8	4.2
Total	$ 2,372.4	100.0

Workload: Includes programs which distribute aid using indicators of "need" or workload measures. Examples include targeted poverty grants and additional poverty grants (number of students eligible for free or reduced priced school lunches); limited English proficiency grants (number of limited English proficient students); food service aid; transportation for special education students. These programs reflect the policy goal that students with special needs may require the commitment of additional resources.

Wealth/Workload: Several programs utilize a workload measure such as enrollment and distribute aid inverse to local wealth: less wealthy jurisdictions receive relatively more aid. Wealth is usually defined as some combination of property assessable base and net taxable income. Programs utilizing wealth and workload measures include the current expense, compensatory, and special

education aid formulas. These programs address the policy goal that educational opportunities should not depend on the relative ability of local jurisdictions to raise revenues from local sources.

Actual Costs: The State pays all or a portion of the actual costs associated with certain educational services or programs. Examples include the State share of nonpublic special education costs and the State payment of employer retirement costs for local teachers. Basing aid on actual costs assists all school systems with providing educational opportunities; however, to the extent wealthier school districts incur higher costs, they receive greater benefits under this approach than less wealthy school districts.

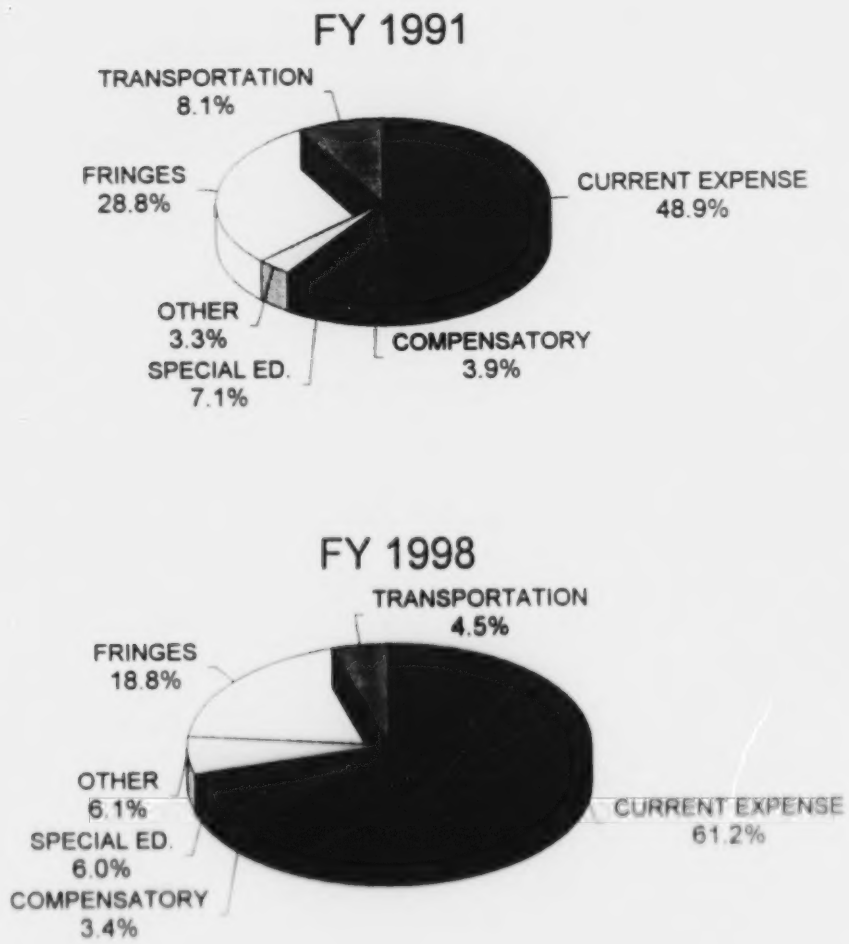
Prior Years' Aid: Aid received in one year is based on or equals the aid received in previous years. Examples include grants for school bus transportation (previous year's aid increased by CPI) and special education aid (aid equals the amount received in fiscal 1981). Beginning with fiscal 1998, the transportation program also incorporates a workload measure (enrollment growth).

Other Methods: This category includes primarily those grants supporting a specific programmatic goal such as improving student performance. Examples are the extended elementary, Maryland's tomorrow, magnet school, and challenge grant programs and the Baltimore City partnership funding.

Aid Patterns Have Changed Since the Early 1990's

The changes in education aid beginning with fiscal 1992 have resulted in a significant shift in State aid patterns. As shown in **Exhibit 8**, two programs, current expense and compensatory aid, which distribute aid inverse to local wealth, have grown from 52.8 percent to 64.6 percent of the total over the eight year period from fiscal 1991 to fiscal 1998. Two factors account for this shift: 1) Beginning with implementation of the "Civiletti" Task Force recommendations in fiscal 1985 and the subsequent enhancements in funding in fiscal 1988, annual growth in current expense and compensatory aid has exceeded growth in the other programs; 2) Cost containment actions enacted in 1992 included a significant reduction in student transportation grants and the elimination of State funding of teachers social security costs. Between fiscal 1991 and fiscal 1998 the aid falling into the "other" category has also increased, growing from 3.3 percent to 6.1 percent of aid. This reflects an increasing reliance on smaller categorical aid programs this decade, culminating with the Baltimore City school legislation (SB 795) enacted this year.

Exhibit 8
State Education Aid
Programmatic Distribution

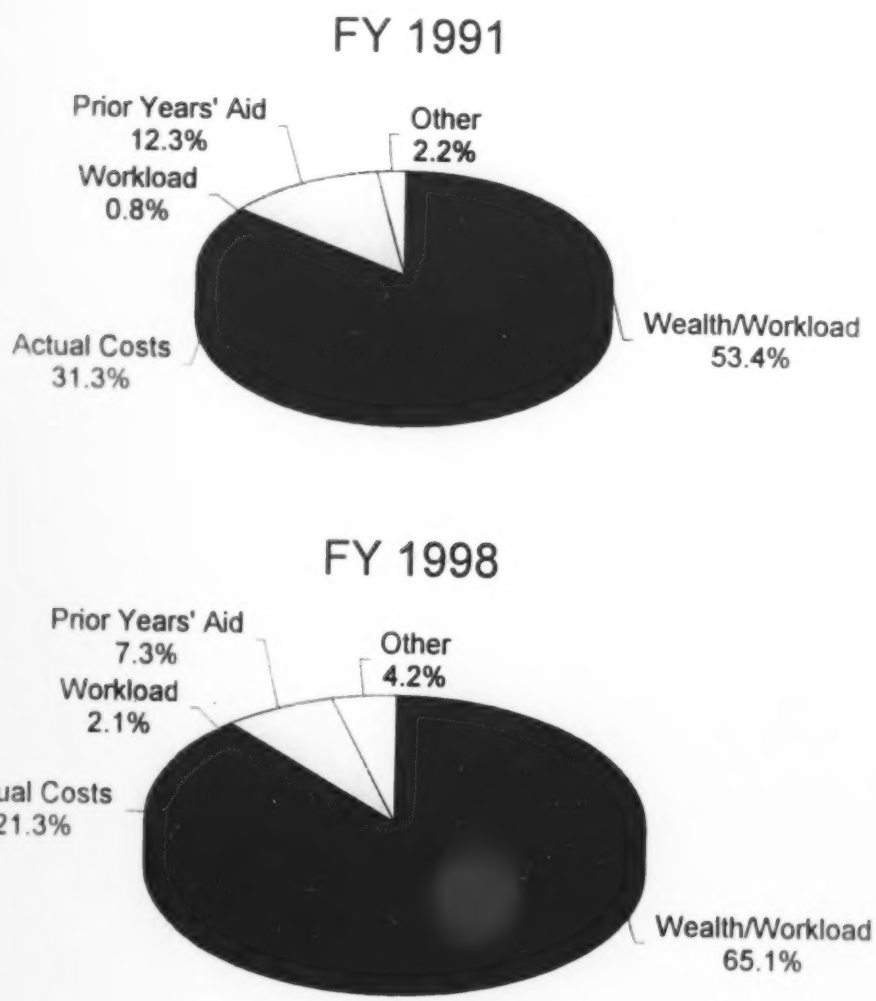


Source: Department of Legislative Services; Maryland State budgets

Comparing education aid categorized by distribution method over the same period finds a similar pattern. (See **Exhibit 9**.) In fiscal 1998 65 percent of education aid will be distributed using the wealth/workload combination approach. This compares to 53 percent in fiscal 1991. The proportionate decline in aid based on actual costs and prior years' allocations reflects the elimination of State funded social security costs and the reduction in school bus transportation grants. The slightly greater reliance on other approaches to distributing aid tracks the growth in categorical programs tied to specific educational needs, problems, or State policies.

As a result of the changes that occurred in the early 1990's a greater share of Maryland's education aid addresses the policy goal that educational opportunities not depend on local fiscal capacity or the ability to raise education funds from local sources. There has also been a greater focus on poor school performance through State aid programs targeting funds to specific schools.

Exhibit 9
State Education Aid
Distribution Factors



Source: Department of Legislative Services; Maryland State budgets

Expenditures

Primary and secondary education operating and capital expenditures totaled $5.7 billion in fiscal 1996. This spending for the public schools accounted for over 40 percent of local government expenditures in fiscal 1996. Instructional outlays are the single largest component of operating expenditures followed by special education expenditures. (See **Exhibit 10** for an expenditure summary and **Exhibit 11** for expenditures on a county-by-county basis.)

Exhibit 10
Education Expenditures
Fiscal 1996

Expenditure Category	Amount ($ in millions)	Percent of Operating Expenses
Instruction	$2,974.7	59.1%
Special Education	550.7	10.9
Administration	202.3	4.0
Plant Operation/Maintenance	531.5	10.6
Transportation	275.3	5.5
Other	72.2	1.4
State Paid Retirement	425.8	8.5
Total Operating Expenses	5,032.5	100.0
Nonpublic Special Education	103.4	
Food Services	166.8	
School Construction	377.3	
Interest on Debt	58.3	
Total Disbursements	$5,738.3	

(1) Fringe benefit costs, other than State paid teachers' retirement for which an allocation is not available, are apportioned to the other expenditure categories.

Source: Selected Financial Data, Maryland State Department of Education

Exhibit 11

Expenditures for Primary and Secondary Education
Operating Costs by Function
Fiscal 1996

County	Instruction	Special Education	Administration	Plant Oper/Maint.	State Paid Retirement	Student Transportation	Other	Total
Allegany	39,052,140	6,261,571	2,354,092	7,079,212	5,338,742	3,337,637	1,048,114	64,471,508
Anne Arundel	261,460,628	42,684,986	16,246,818	50,139,297	38,666,806	23,433,654	7,992,929	440,625,118
Baltimore City	354,718,810	110,406,364	28,794,414	68,760,896	52,772,742	27,941,994	5,649,331	649,044,551
Baltimore	397,804,845	64,344,803	24,234,296	67,949,080	53,930,669	26,224,700	10,503,032	644,991,425
Calvert	46,005,786	7,531,089	2,945,558	8,095,896	6,438,661	5,617,474	1,149,098	77,783,562
Caroline	18,424,506	2,529,505	1,408,808	2,274,099	2,541,162	2,140,763	676,434	29,995,277
Carroll	86,193,253	13,035,496	8,009,559	13,660,116	11,892,775	9,755,211	2,306,046	144,852,456
Cecil	48,140,309	8,632,495	3,337,905	8,796,612	6,937,498	4,274,325	729,911	80,849,055
Charles	68,700,010	11,584,936	5,709,217	14,741,908	10,571,762	7,013,189	3,771,877	122,092,899
Dorchester	18,165,089	3,022,826	1,460,897	2,756,580	2,600,944	1,805,306	615,046	30,426,688
Frederick	113,296,660	15,887,590	7,559,157	21,851,413	15,357,694	9,908,436	2,495,734	186,356,684
Garrett	18,180,854	2,633,184	1,226,194	2,830,154	2,610,279	2,353,162	526,841	30,360,668
Harford	125,122,497	18,568,301	6,331,706	21,999,552	16,988,594	13,906,858	2,389,789	205,307,297
Howard	153,986,767	27,413,357	11,688,634	27,229,532	20,737,782	11,753,548	6,165,522	258,975,142
Kent	11,058,195	1,554,739	1,098,555	2,003,715	1,525,805	1,055,887	251,984	18,548,880
Montgomery	567,592,977	97,839,455	34,059,738	83,599,222	79,534,647	48,639,583	4,088,888	915,354,510
Prince George's	412,922,702	81,114,793	28,192,140	89,034,924	62,887,658	55,628,411	14,631,601	744,412,229
Queen Anne's	21,621,776	3,164,155	1,933,365	3,569,132	3,142,252	2,667,420	547,116	36,645,216
St. Mary's	45,387,195	8,276,974	3,873,441	8,380,437	6,739,015	4,845,140	1,389,233	78,891,435
Somerset	12,004,746	1,827,724	1,372,670	1,883,427	1,832,657	1,495,246	758,353	21,174,823
Talbot	16,024,647	2,273,081	1,028,136	2,293,608	2,255,978	1,232,279	1,727,054	26,834,783
Washington	67,710,660	10,127,754	4,447,770	12,340,554	9,899,971	4,244,728	534,810	109,306,247
Wicomico	45,476,231	6,627,824	3,354,595	6,785,434	6,955,611	3,627,056	1,400,641	74,227,392
Worcester	25,611,407	3,347,197	1,635,458	3,473,655	3,658,713	2,444,149	865,523	41,036,102
Total	2,974,662,690	550,690,199	202,303,123	531,528,455	425,818,417	275,346,156	72,214,907	5,032,563,947

Note: Amounts do not include expenditures for debt service, construction, food service, and nonpublic special education placements.

Source: Selected Financial Data, FY 1996 , Maryland State Department of Education

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There were significant increases in primary and secondary education expenditures per student throughout the late 1980's. As **Exhibit 12** shows, statewide expenditures per pupil grew 8.0 percent per year between fiscal 1986 and fiscal 1991. However, with the slowdown in State and local revenue growth and rising school enrollments, fiscal 1991 through fiscal 1996 annual per pupil spending increases fell to 1.8 percent.

In fiscal 1996 the difference in spending per pupil between Montgomery and Caroline, the highest and lowest spending counties, was 1.46 to 1. In other words, Montgomery County spent 46 percent more per pupil than Caroline County. This translates into a $2,529 difference in per student spending. Compared to fiscal 1991 spending disparities have declined in the 1990's. In fiscal 1991 the ratio between the highest and lowest spending school systems was 1.7 to one, little changed from the fiscal 1986 ratio of 1.73 to one. The significant decrease in disparity derives from three factors: 1) the greater share of education aid distributed inverse to local wealth; 2) the slowdown in local assessable base growth, especially in those jurisdictions with higher property wealth; and 3) generally higher enrollment growth among the wealthiest counties than among the least wealthy counties.

Spending disparities, however, continue to exist. Five factors account for most of the differences in spending per student:

1. Fiscal capacities - counties have different abilities to raise revenues from local sources.

2. Local effort - other priorities may compete for funding and taxpayer support for education may differ among Maryland's counties.

3. Cost differentials - the cost of providing an average mix of classroom resources (teachers and supplies) varies across school districts.

4. Special student populations - students with special needs cost more to educate and the proportion of special needs students varies among Maryland's school districts. (See **Exhibit 13**)

5. Intergovernmental aid - State and federal aid per student varies considerably among the local school systems.

Exhibit 12
Education Expenditures Per Pupil

County	FY 1986	FY 1991	Average Annual Growth	FY 1996	Average Annual Growth
Allegany	$3,439	$4,866	7.2%	$5,936	4.1%
Anne Arundel	3,872	5,941	8.9%	6,464	1.7%
Baltimore City	3,486	5,178	8.2%	6,208	3.7%
Baltimore	4,622	6,295	6.4%	6,594	0.9%
Calvert	3,974	5,294	5.9%	6,056	2.7%
Caroline	3,132	4,598	8.0%	5,448	3.5%
Carroll	3,305	5,169	9.4%	6,094	3.3%
Cecil	3,351	5,066	8.6%	5,819	2.8%
Charles	3,535	5,299	8.4%	6,076	2.8%
Dorchester	3,784	5,457	7.6%	6,111	2.3%
Frederick	3,515	5,378	8.9%	5,970	2.1%
Garrett	3,357	5,176	9.0%	5,850	2.5%
Harford	3,456	4,981	7.6%	5,875	3.4%
Howard	4,503	7,003	9.2%	7,162	0.5%
Kent	4,056	6,100	8.5%	6,926	2.6%
Montgomery	5,407	7,807	7.6%	7,977	0.4%
Prince George's	4,004	5,878	8.0%	6,287	1.4%
Queen Anne's	3,901	5,515	7.2%	6,178	2.3%
St. Mary's	3,751	5,379	7.5%	5,989	2.2%
Somerset	3,439	5,296	9.0%	6,773	5.0%
Talbot	3,798	5,445	7.5%	6,309	3.0%
Washington	3,793	5,291	6.9%	5,801	1.9%
Wicomico	3,410	5,024	8.1%	5,641	2.3%
Worcester	4,301	6,089	7.2%	6,487	1.3%
Statewide	**4,064**	**5,961**	**8.0%**	**6,530**	**1.8%**

Note: Amounts do not include expenditures for debt service, construction, food service, and nonpublic special education placements. September 30th enrollment used to calculate per students amounts. Prekindergarten and kindergarten students counted as one-half time if in half-day programs.

Source: Selected Financial Data, Maryland Public Schools, Part II Expenditures, selected years ; Department of Legislative Services.

Exhibit 13
Selected Student Population Characteristics
(1995-1996 School Year)

	Enrollment	% Special Education Students	% Limited English Proficient Students	% Approved for Free/Reduced Meals
Allegany	11,300	13.4	0.0	44.6
Anne Arundel	71,383	12.8	0.6	15.2
Baltimore City	109,980	15.1	0.4	70.1
Baltimore	101,564	11.9	1.3	25.1
Calvert	13,496	11.3	0.1	14.2
Caroline	5,521	14.6	1.0	40.1
Carroll	25,408	12.9	0.3	8.8
Cecil	14,640	15.0	0.2	21.4
Charles	20,966	11.9	0.4	22.6
Dorchester	5,216	13.3	0.6	44.1
Frederick	32,766	12.3	0.4	14.2
Garrett	5,190	13.4	0.0	43.4
Harford	36,820	12.0	0.3	17.3
Howard	37,547	10.8	2.0	9.1
Kent	2,863	11.8	1.5	34.8
Montgomery	120,291	10.6	5.9	21.4
Prince George's	122,415	9.1	3.1	41.2
Queen Anne's	6,271	12.5	0.4	19.5
St. Mary's	13,950	13.3	0.4	27.0
Somerset	3,277	11.7	1.0	53.5
Talbot	4,427	12.6	0.8	25.9
Washington	19,824	14.3	0.9	30.0
Wicomico	13,796	11.3	1.3	33.5
Worcester	6,633	10.4	0.7	35.5
Statewide	805,544	12.0	1.9	31.0

Source: Maryland State Department of Education, 1996 Maryland School Performance Report

Appendix 1

Current Expense Formula ($1,452.3 Million and 61.2% of FY 1998 Aid)

The current expense formula is Maryland's basic support program, distributing over $1.45 billion to the local boards of education. It accounts for about 61 percent of the State's education aid in fiscal 1998. This formula has been a key component of Maryland's education funding since 1973. Legislation enacted by the 1987 General Assembly provides for automatic increases in current expense formula aid. The minimum funding level is based on prior years' actual spending. The $95.5 million fiscal 1998 increase results from higher enrollment ($24.5 million) and prior years' spending growth ($71.0 million).

- The formula guarantees a minimum funding level per pupil and requires the counties to provide a local match; all counties currently appropriate amounts considerably above the required local match. The pupil count used in the current expense formula is the full time equivalent (FTE) school enrollment as of September 30th of the previous school year. Therefore, fiscal 1998 current expense aid is based on enrollment from September of 1996. The FTE count does not include prekindergarten students and, with the exception of Garrett County, includes one-half the number of students enrolled in kindergarten. The FTE computation includes evening high school students and excludes out-of-state students.

- The current expense formula is a "minimum foundation" formula. Under a minimum foundation approach local school systems are guaranteed a minimum funding level per pupil. In fiscal 1998 the minimum foundation is $3,720 per pupil. The current expense formula determines the State and local shares of the foundation for each school system. Overall the State share of the foundation in fiscal 1998 is $1,891 per pupil or a little over 50 percent of the $3,720 foundation.

- The formula recognizes the disparities in local abilities to raise revenues from local sources by providing less wealthy counties relatively more aid than more wealthy counties: the formula "equalizes" education spending (See **Exhibit 14**). Aid per student is distributed inverse to wealth per student. For example, in fiscal 1998 Worcester County, the "wealthiest" county will receive $205 per pupil, whereas Baltimore City, the "least wealthy" county will receive $2,759

per pupil. **Exhibit 15** graphically shows the relationship between wealth per student and aid per student under the formula. For purposes of the formula, wealth includes the two major local tax bases -- net taxable income and assessable base. The counties are required to fund the difference between the minimum foundation and the State share of the foundation.

Exhibit 14

Basic Current Expense Formula Aid - FY 1998

Foundation: $3,720
Local Contribution Rate: 0.0076219

County	FTE Enrollment 9/30/96	Basic Program $3,720 Times Enrollment	Wealth Base	Local Share $3,720 Program	State Share $3,720 Program	Per Pupil State Aid FY 1998	State Aid Prior Year $3,532 Program	Difference Over Prior Year	Per Pupil Difference
ALLEGANY	10,560.50	39,285,060	1,552,305,303	11,831,516	27,453,544	2,600	26,442,465	1,011,079	117
ANNE ARUNDEL	68,862.25	256,167,570	18,880,923,796	143,908,513	112,259,057	1,630	105,493,978	6,765,079	75
BALTIMORE CITY	99,611.00	370,552,920	12,553,401,985	95,680,775	274,872,145	2,759	262,560,397	12,311,749	147
BALTIMORE	97,092.00	361,182,240	26,123,008,102	199,106,955	162,075,285	1,669	148,463,082	13,612,203	101
CALVERT	13,407.50	49,875,900	3,163,988,400	24,115,603	25,760,297	1,921	23,128,675	2,631,622	105
CAROLINE	5,186.50	19,293,780	672,233,388	5,123,696	14,170,084	2,732	13,188,412	981,672	140
CARROLL	24,964.00	92,866,080	4,980,913,672	37,964,027	54,902,053	2,199	50,297,393	4,604,660	115
CECIL	13,984.00	52,020,480	2,503,792,257	19,083,654	32,936,826	2,355	30,742,300	2,194,526	114
CHARLES	20,069.25	74,657,610	4,093,495,950	31,200,217	43,457,393	2,165	41,454,402	2,002,991	83
DORCHESTER	4,847.75	18,033,630	837,804,873	6,385,665	11,647,965	2,403	10,989,373	658,592	111
FREDERICK	31,937.00	118,805,640	6,548,550,914	49,912,400	68,893,240	2,157	63,269,211	5,624,028	112
GARRETT	5,054.75	18,803,670	894,795,545	6,820,042	11,983,628	2,371	11,635,707	347,921	80
HARFORD	35,482.00	131,993,040	6,850,360,191	52,212,760	79,780,280	2,248	74,306,762	5,473,518	101
HOWARD	37,174.00	138,287,280	10,708,691,588	81,620,576	56,666,704	1,524	51,115,255	5,551,448	99
KENT	2,630.50	9,785,460	700,448,600	5,338,749	4,446,711	1,690	4,178,802	267,909	79
MONTGOMERY	115,219.25	428,615,610	44,369,537,790	338,180,180	90,435,430	785	84,837,036	5,598,394	35
PRINCE GEORGE'S	117,378.50	436,648,020	24,072,631,953	183,479,193	253,168,827	2,157	231,202,651	21,966,175	145
QUEEN ANNE'S	5,929.00	22,055,880	1,534,524,079	11,695,989	10,359,891	1,747	9,953,401	406,490	40
ST. MARY'S	13,281.00	49,405,320	2,490,610,196	18,983,182	30,422,138	2,291	28,149,428	2,272,710	116
SOMERSET	2,911.25	10,829,850	412,501,683	3,144,047	7,685,803	2,640	7,739,970	(54,167)	66
TALBOT	4,173.75	15,526,350	1,716,606,164	13,083,801	2,442,549	585	2,827,167	(384,618)	97
WASHINGTON	18,742.00	69,720,240	3,489,706,814	26,598,196	43,122,044	2,301	41,530,092	1,591,951	77
WICOMICO	13,039.00	48,505,080	2,162,715,725	16,484,003	32,021,077	2,456	30,592,678	1,428,399	97
WORCESTER	6,376.00	23,718,720	2,940,567,832	22,412,714	1,306,006	205	2,661,904	(1,355,898)	222
Total	**767,912.75**	**$2,856,635,430**	**184,254,117,000**	**1,404,366,454**	**1,452,268,976**	**1,891**	**1,356,760,542**	**95,508,434**	**94**

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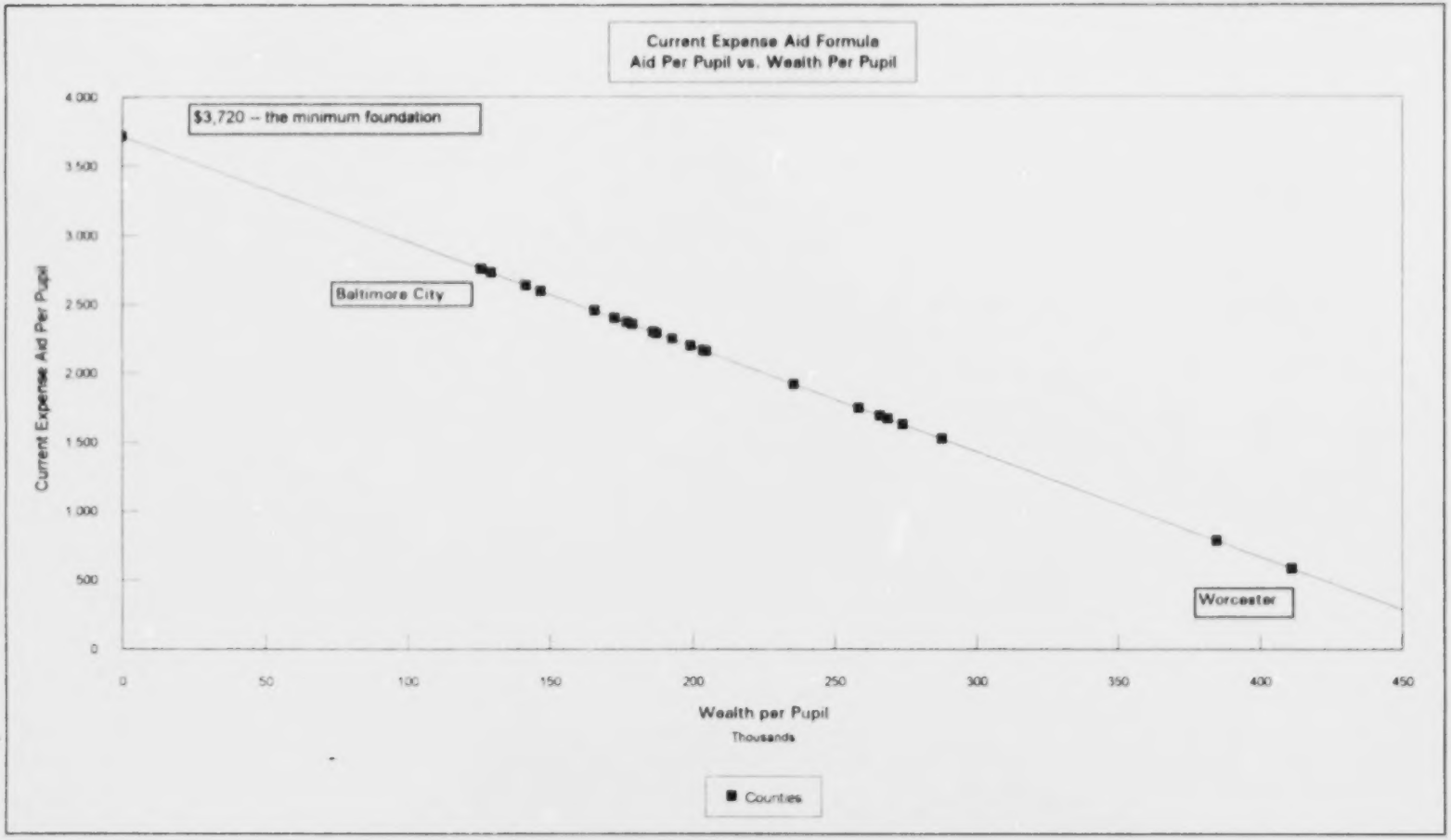
Exhibit 15



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Compensatory Aid Formula ($80.9 Million and 3.4% of FY 1998 Aid)

The compensatory aid formula distributes aid to local school boards based on the number of students from economically disadvantaged environments (as measured by the student counts used for Title I aid). Increases in compensatory aid are tied to increases in the current expense formula. In fiscal 1998 compensatory aid grows $4.1 million or 5.4 percent.

- Bases aid on the student counts used for the distribution of federal Title I aid. The federal government develops the data using socio-economic data from the decennial census: the primary factor is the number of children ages 5-17 living in poverty. These Title I eligible counts are an indication of the number of students from economically disadvantaged environments.

- Recognizes local fiscal disparities by adjusting the grants per Title I student by local wealth: the less wealthy counties receive relatively more aid per Title I student.

- The overall funding level rises with growth in the per pupil minimum foundation under the current expense formula. Before adjusting for local wealth, a county's grant per Title I student equals 25 percent of the minimum foundation.

- Requires that about 25 percent of the aid be used for programs for students from economically or educationally deprived environments.

Teachers' Retirement ($445.0 Million and 18.8% of FY 1998 Aid)

The State pays 100 percent of the employers' share of retirement costs for school system employees who are members of the Teachers' Retirement and Pension Systems maintained and operated by the State. In fiscal 1998 the State share is $445 million, which consists of 18.8 percent of education aid. The $4.0 million decrease in fiscal 1998 results from a 3.0 percent increase in the salary base and a 3.8 percent decrease in the contribution rate.

- Rather than distributing the aid to the school boards and billing them for the retirement contributions, the State appropriates a lump sum payment to the retirement system "on-behalf of" the local school boards. The appropriation is based on an estimate of the prior year's salary base. Local school systems are required to pay the retirement costs associated with employees funded under federal programs. The county-by-county aid amounts shown in **Exhibit 5** are estimates based on each school board's share of the total salary base.

- Variations in the estimates of each county's aid per student reflect differences in salary levels and staffing ratios among the counties.

School Bus Transportation Grants ($106.6 Million and 4.5% of FY 1998 Aid)

The fiscal 1998 budget includes $103.6 million, reflecting a 4.9 percent increase in the transportation CPI and the additional enrollment based funding. As well, $4.0 million is provided in fiscal 1998 to the counties to aid in the additional costs of transporting handicapped students.

- Each county receives a grant for student transportation based on the county's grant in the previous year increased by the change in the Baltimore area consumer price index for private transportation. Increases can not exceed 8 percent or be less than 3 percent. Legislation enacted by the 1992 General Assembly reduced the transportation grant from $141.2 million to $86.2 million. Subsequent increases have been from this lower base.

- As a result of legislation enacted in 1996, beginning with fiscal 1998 counties with enrollment increases will receive additional funds. In fiscal 1998, the additional grants equal one-half the enrollment increase multiplied times the total transportation aid per pupil in the previous year. After fiscal 1998, the grants will be based on the entire enrollment increase rather than half the increase.

- The formula grants for transporting handicapped students recognize additional transportation costs. Each school board receives $500 per special education student in excess of the number transported in fiscal year 1981.

Special Education Grants ($142.5 Million and 6.0% of FY 1998 Aid)

State aid for special education recognizes the additional costs associated with providing programs for students with disabilities. Most special education students receive services in the public schools; however, if an appropriate program is not available in the public schools students may be placed in a private school offering more specialized services. The fiscal 1998 funding for special education includes $81.3 million based on the county-by-county formula and $61.2 million for nonpublic placements.

- $11.3 million of the $81.3 million for special education programs in the public schools is based on the number of special education students in each jurisdiction adjusted by county wealth. This portion of the grant is not mandated by

statute. The Governor has provided funding on this basis in the State budget since fiscal 1988. Each county's share of the remaining $70 million equals what the county received under the original formula in fiscal 1981. The old formula based aid on total enrollment and a 1976 special education cost index.

- For special education students placed in nonpublic day and residential programs the counties are responsible for the local share of the basic costs of educating a nonhandicapped child plus 200 percent of total basic costs. Any costs above the base amount are shared between the State and the local school boards on a 80 percent State/20 percent local basis.

Limited English Proficiency Grants ($7.8 Million and 0.3% of FY 1998 Aid)

Under this program the State provides grants to support programs for non- and limited- English proficient students. The fiscal 1998 budget includes $5.9 million for the local school boards that is required by statute and an additional $1.9 million to supplement the program in accordance with the Baltimore City school legislation (SB 795) enacted at the 1997 session.

- For purposes of this program non- and limited-English proficient student means a student identified as such under the Maryland State Department of Education's Maryland School Performance reporting requirements. To be eligible for the grants county school boards must have approved programs for providing instruction and services to limited English proficient students. School boards must annually report the actual expenditures of State funds on limited English proficiency programs.

- Beginning with fiscal 1996, the statute specifies that the local school boards receive $500 for each non- and limited-English proficient student. No student may be included in the non- and limited-English proficient count for more than two years.

- The additional funds under SB 795 provide $500 per student for those students identified as non- and limited English proficient but not included in the count for formula funding because the students had already been in the count for two years. In addition, a school system with the number of limited English proficient students exceeding 5 percent of enrollment receives an additional $250,000. Only Montgomery County qualifies for this additional grant. Although the amounts in SB 795 are based on current student counts there is no provision to recalculate the grants in subsequent years.

Targeted Poverty Grants ($8.0 Million and 0.3% of FY 1998 Aid)

The State provides funds to local school systems based on the number of students who qualify for a free or reduced price lunch. Under the statute $8 million in fiscal 1998 is distributed to all school systems based on the county's proportionate share of the total number of students living in poverty.

- A county school board must submit to the State Board of Education a comprehensive plan for specific schools to improve the educational achievement of students living in poverty. Upon approval of the plan, the county school board will receive funds based on the county's proportionate share of the total number of students eligible for free/reduced lunch in the prior school year. The grants must be targeted to the specific schools and may not exceed $1,500 per students living in poverty.

- Beginning in fiscal 1996, the statute mandates that at least $8.0 be included in the State budget for this program.

Additional Poverty Grants ($18.2 Million and 0.8% of FY 1998 Aid)

The fiscal 1998 State budget includes $18.2 million in additional poverty grants distributed through two separate programs. Both are based on the number of students qualifying for free or reduced price lunch. Baltimore City does not receive funds under either program.

- The city school legislation enacted in 1997 (SB 795) includes a five year commitment to provide $16.6 million to all school systems with the exception of Baltimore City. Each school system's share of the $16.6 million is based on the school system's proportional share of the number of students qualifying for free or reduced price lunches as of October 1995. There is no provision to recalculate the amounts in subsequent years based on updated free and reduced price lunch counts.

- The fiscal 1998 State budget includes an additional $1.6 million targeted to school systems with over 40 percent of their students eligible for free/reduced lunches.

Extended Elementary Education ($14.9 Million and 0.6% of FY 1998 Aid)

The extended elementary program supports public school prekindergarten for four-year old children who live in Title I eligible school attendance areas. The fiscal 1998 budget includes a total of $14.9 million. $11.6 million will be used for the 204 existing elementary sites with an average grant of $57,000 per site. An additional $3.3 million will support another 47 sites at $70,000 per site. The additional funding is required for five years under the Baltimore City school legislation enacted in 1997 (SB 795).

- The funding supports public school prekindergarten programs for four-year old children who may be at risk of failure. The program is based on the theory that early intervention: (1) increases students' opportunity to realize their educational potential; and, (2) reduces future educational and societal costs.

- County boards of education submit proposals for sites to the Department of Education, which then determines how many sites can be funded within the appropriation in the State budget. The department distributes the money to the counties based on the schools' Title I eligibility and general need. For the additional $3.3 million committed under SB 795 each school system's share is specified in the legislation.

Maryland's Tomorrow ($10.0 Million and 0.4% of FY 1998 Aid)

- The Maryland's Tomorrow Program is designed to identify at-risk youth enrolled in public schools and provide them with individualized educational, training, and support services to prevent school dropouts. At-risk youth are defined as those who score below their grade level on the California Achievement Test in reading or math or who have been retained at least one grade. Funds for Maryland's Tomorrow are received directly by the local Private Industry Councils (PIC) based on an annual service proposal developed jointly by the local PIC and school board. The fiscal 1998 appropriation for the high school portion of Maryland's Tomorrow is $8 million.

- A related program, the Choice Middle School Program, provides dropout prevention services for middle school students. Starting with the 1994 school year, approximately 800 students have been receiving dropout prevention services through this program. Funds for the Choice Middle School Program are received by the University of Maryland, Baltimore County, which operates the program. Funding totals about $2 million in fiscal 1998.

Challenge Grants ($7.6 Million and 0.3% of FY 1998 Aid)

- Chapter 210 of the Acts of 1992 provides for the distribution of "Challenge Grants" to low performing schools for the purpose of school improvement based on Schools for Success goals. The Maryland State Department of Education releases funds to these schools only after it approves certain aspects of each school's improvement plans.

- Although there is specific legislative authorization for the program the funding level is at the discretion of the Governor and the General Assembly

Gifted and Talented Programs ($4.4 Million and 0.2% of FY 1998 Aid)

The fiscal year 1998 State budget includes $4.4 million to augment educational services for gifted and talented students.

- Since fiscal 1994 Baltimore City has received $1.0 million for gifted and talented programs at five high schools in the city.

- Beginning with fiscal 1998 $2.0 million will be used to support gifted and talented programs in Montgomery County. The funds are committed for five years under the Baltimore City school legislation (SB 795) enacted in 1997.

Education Modernization ($3.2 Million and 0.1% of FY 1998 Aid)

The fiscal 1998 State budget includes $3.2 million for the second year of this multi-year initiative. The initiative provides schools access to on-line computer resources and capacity for data, voice, and video equipment. The funds will be used for equipment purchases, software, and staff development. Another $5.5 million is included under the school construction program to upgrade the wiring in 107 schools.

Magnet Schools ($14.1 Million and 0.6% of FY 1998 Aid)

Prince George's County will receive $14.1 million in the fiscal 1998 State budget for the county's magnet school programs. Of this amount $1.1 million is part of a five year commitment of funding incorporated in the Baltimore City school legislation (SB 795) enacted in 1997. Initiated in fiscal 1987, this aid supports the Prince George's County Magnet School Program. The Magnet School Program was approved by the U.S. District Court to provide for desegregation of the Prince

George's County Public Schools and to improve the quality of instruction for all county students.

Baltimore City Partnership ($33.5 Million and 1.4% of FY 1998 Aid)

The fiscal 1998 budget includes $30 million in funding for the Baltimore City Public Schools under the Baltimore City Partnership program. An additional $3.5 million was included in fiscal 1998 for specific purposes including, $2.0 million for the 10 Baltimore City reconstitution eligible schools identified in 1997, $600,000 for a comprehensive audit of the city school system, and $900,000 for implementing and monitoring the city school system restructuring. Legislation passed by the 1997 General Assembly (SB 795) restructures the management of the Baltimore City Public Schools contingent upon the inclusion of an additional $30 million in the fiscal 1998 State budget for the city schools. The legislation requires that the additional funding increase to $50 million for fiscal 1999 through 2002. Failure to appropriate the funds in any year abrogates the legislation and the management restructuring of the city school system.

Aging Schools ($4.4 Million and 0.2% of FY 1998 Aid)

The fiscal 1998 State budget includes $4.4 million to provide funds to local school systems for the improvements, repairs, and deferred maintenance of public school buildings exceeding 15 years of age. Each school system's share of the total funding is generally consistent with the school system's share of school building square footage constructed prior to 1960. A five year commitment of funding for this new program is incorporated in the Baltimore City school legislation (SB 795) enacted in 1997. The legislation specifies each school system's share of the $4.4 million.

Baltimore County Mentoring ($2.9 Million and 0.1% of FY 1998 Aid)

Baltimore County will receive $2.9 million in the fiscal 1998 State budget for a mentoring program providing professional development for teachers who work with at-risk students. Of this amount $2.4 million is part of a five year commitment of funding incorporated in the Baltimore school legislation (SB 795) enacted in 1997.